

WEST LYON COMMUNITY SCHOOL
DISTRICT 60

WEST LYON COMMUNITY SCHOOL DISTRICT 60

Table of Contents

	<u>Page</u>
School District Officials	1
Independent Auditor's Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Statement of Net Assets	A 18
Statement of Activities	B 19
Balance Sheet – Governmental Funds	C 20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	D 22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	23
Statement of Net Assets – Proprietary Fund	E 24
Statement of Revenues, Expenditures and Changes in Net Assets – Proprietary Fund	F 25
Statement of Cash Flows – Proprietary Fund	G 26
Notes to Financial Statements	27
Required Supplementary Information	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	40
Notes to Required Supplementary Information – Budgetary Reporting	41
Supplementary Information	
Combining Balance Sheet – Nonmajor Special Revenue Funds	43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	44
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	45
Schedule of Revenues by Source and Expenditures by Function	46
Independent Auditor's Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47
Schedule of Findings and Questioned Costs	49

West Lyon Community School District 60
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
BOARD OF EDUCATION (Before September 2006 Election)		
Arthur Metzger	President	September 2007
Kay Twedt	Vice President	September 2008
Ken Kerkvliet	Board Member	September 2006
Al Hassebroek	Board Member	September 2008
Gib VanHill	Board Member	September 2007
(After September 2006 Election)		
Kay Twedt	President	September 2008
Ken Kerkvliet	Vice President	September 2009
Al Hassebroek	Board Member	September 2008
Rick Mosen	Board Member	September 2010
Gib VanHill	Board Member	September 2010
SCHOOL OFFICIALS		
Ralph Herring	Superintendent	-
Robert Tracy	Secretary/Business Manager	June 30, 2007
Lyle Impecoven	Treasurer	June 30, 2007
Tom Whorley	Attorney	Indefinite



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the School Board
West Lyon Community School District 60
Inwood, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the **West Lyon Community School District 60**, Inwood, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the **West Lyon Community School District 60's** officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the **West Lyon Community School District 60** at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated January 7, 2008 on our consideration of the **West Lyon Community School District 60's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

PEOPLE. PRINCIPLES. POSSIBILITIES.

www.eidebailly.com

Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 17 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by generally accepted accounting principles in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **West Lyon Community School District 60's** basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota
January 7, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Lyon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2007 FINANCIAL HIGHLIGHTS

- The District experienced a reduction in anticipated state aid due to a positive special education balance in FY06 and the district's share of juvenile home. This reduction was substantial and caused the district to be well under budget estimates in general fund revenue.
- As a result of the Iowa Department of Transportation's desire to add turn lanes to IA182, the District entered into an agreement to sell land to the State of Iowa and renovate part the school's present traffic exit and the playground area. The cost of the project will be approximately \$180,000 and will be funded with DOT resources.
- The District completed the demolition and remodel of our track and high jump areas. The project came in under budget and was funded through existing PPEL resources.
- West Lyon CSD has students residing in both Lyon and Sioux counties. The taxpayers of both of those counties approved a ten year increase in local option sales and services taxes. The sales tax in each county was increased 1% on applicable sales in those counties. The District intends to use the proceeds of this tax to offset future obligations for the previously noted bond issue.
- General Fund revenues decreased from \$5,548,819 in FY06 to \$5,478,917 in FY07. General Fund expenditures increased from \$5,649,799 in FY06 to \$5,728,072 in FY07. The District's General Fund year end balance decreased \$248,854 or approximately 28.36% in FY07.
- The increase in expenditures was due primarily to an increase in the negotiated salary and benefits for employees, unanticipated long term absences, health insurance related items, increased utility and fuel costs, and restricted grant expenditures. The district anticipated using its carryover fund balance to support the budgetary expenditures for FY07. This is because student enrollment trends meant that the district was to receive little "new money" (state and local funding based on student enrollment) for FY07.

- The District has long held a substantial carryover fund balance. In the past, one positive effect of having this balance was the interest that was received from the investment of these funds. As recently as FY01, the district received \$48,700 in interest on its investments. Interest rates started the year at a relatively low return on investment but finished the year much stronger.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Lyon Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Lyon Community School District's operations in more detail than the Government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Lyon Community School District acts solely as an agent or custodian for the benefit of others.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District. Because the District did not have Federal Awards of more than \$500,000 in FY07, this Schedule is not included in this report.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

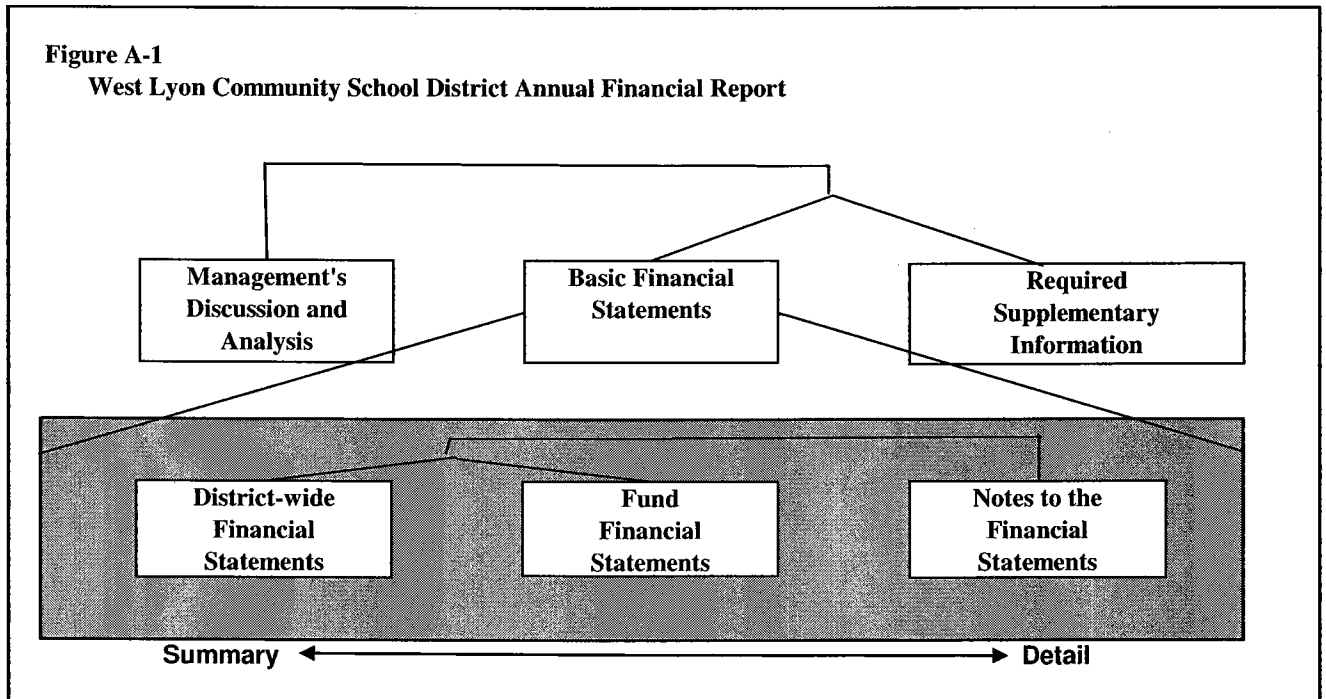


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Government Funds	Proprietary Funds	Fiduciary Funds
	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statements of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets-the difference between the District's assets and liabilities-are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as

changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds-not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

1. *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Funds.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3. *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Funds-The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds-These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006- 2007
Current and other assets	\$4,607,238	\$4,545,725	\$71,946	\$66,180	\$4,679,184	\$4,611,905	1.45%
Capital assets	\$5,150,222	\$5,130,291	\$8,169	\$9,300	\$5,158,361	\$5,139,591	.36%
Total assets	\$9,757,460	\$9,676,016	\$80,115	\$75,480	\$9,837,575	\$9,751,496	.88%
Long-term liabilities	\$3,619,383	\$3,631,763	\$0	\$0	\$3,619,383	\$3,631,763	-.34%
Other liabilities	\$2,886,096	\$2,743,575	\$6,695	\$9,884	\$2,892,791	\$2,753,459	5.06%
Total liabilities	\$6,505,479	\$6,375,338	\$6,695	\$9,884	\$6,512,174	\$6,385,222	1.98%
Net assets:							
Invested in capital assets,							
net of related debt	\$1,794,984	\$1,619,798	\$8,169	\$9,300	\$1,803,153	\$1,629,098	10.68%
Restricted	\$0	\$105,000	\$0	\$0	\$0	\$105,000	100+%
Unrestricted	\$1,456,997	\$1,575,880	\$65,251	\$56,296	\$1,522,248	\$1,632,176	-6.73%
					\$0	\$0	
Total net assets	\$3,251,981	\$3,300,678	\$73,420	\$65,596	\$3,325,401	\$3,366,274	-1.21%

This section explains the differences between the current and prior year's assets, liabilities, and changes in net assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets are a result of budgeted expenditures within the Physical Plant and Equipment Levy Fund.

Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established on how they can be used. As noted earlier, the District was forced to use more than twenty eight percent of its carryover balance to fund operations in FY07. Obviously, this had a negative effect on the unrestricted net assets of the District for this fiscal year.

Figure A-4 shows the change in net assets for the year ended June 30, 2007.

Figure A-4 Changes in Net Assets			
	Government Activities	Business type Activities	Total District
	June 30, 2007	June 30, 2007	June 30, 2007
Revenues:			
Program revenues:			
Charges for services	\$ 103,434	\$ 176,137	\$ 279,571
Operating grants, contributions and restricted interest	\$ 536,292	\$ 103,845	\$ 640,137
Capital grants, contributions, and restricted interest	\$ -	\$ -	\$ -
General Revenues:			\$ -
Property tax	\$ 2,122,066	\$ -	\$ 2,122,066
Local option sales and service tax	\$ 712,798	\$ -	\$ 712,978
Unrestricted state grants	\$ 2,415,964	\$ -	\$ 2,415,964
Unrestricted investment earnings	\$ 67,308	\$ 229	\$ 67,537
Other	\$ 876,539	\$ -	\$ 876,539
Total revenues	\$ 6,834,581	\$ 280,211	\$ 7,114,792
Program expenses:			
Government activities:			
Instruction	\$ 4,394,193	\$ -	\$ 4,394,193
Support services	\$ 1,886,162	\$ -	\$ 1,886,162
Other services	\$ 335,871	\$ -	\$ 335,871
Non-instructional programs	\$ -	\$ 272,387	\$ 272,387
Other expenses	\$ 267,052	\$ -	\$ 267,052
Total expenses	\$ 6,883,278	\$ 272,387	\$ 7,155,665
			\$ -
Change in net assets	\$ -48,697	\$ 7,824	\$ -40,873

Property taxes, sales taxes and unrestricted state grants account for more than 76% of the total revenue. The District's expenses primarily relate to instruction and support services which account for more than 91% of the total expenses.

Governmental Activities

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Government Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,394,193	\$ 3,822,371
Support Services	\$ 1,886,162	\$ 1,818,258
Other Services	\$ 335,871	\$ 335,871
Other Expenses	\$ 267,052	\$ 267,052
Totals	<u>\$ 6,883,278</u>	<u>\$ 6,243,552</u>

- The cost financed by users of the District's programs was \$103,434.
- Federal and state grants subsidized certain programs with grants and contributions totaling \$539,292.
- The net cost of government activities was financed with \$2,835,044 in property and other local taxes and \$2,415,964 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$280,211 and expenses were \$272,387. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

During FY07 the district did not increase meal prices. It did, however, have a noticeable increase in the number of breakfasts served to students, a trend that is now five years in the making.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Lyon Community School District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,731,380, below last year's ending fund balance of \$1,812,642. However, the primary reason for the decrease in combined fund balances in FY07 is due to expenses in the general fund being greater than revenues and the completion of a construction project (track) in the PPEL Fund.

Governmental Fund Highlights

- The District's General Fund financial position, though still strong in comparison with most schools in the state, is gradually deteriorating over time. This past fiscal year, the unreserved balance dropped \$248,854. The District still maintains a \$628,410 balance in unreserved fund equity, however.
- The General Fund cash balance decreased \$226,720 in FY07, due to the negotiated salary and benefits settlement's over the past several years, the state aid reduction due to special education balances, and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy Fund balance decreased by \$41,344, due mainly to the construction of a new track. Revenues increased due to the previously noted sale of property and equipment for the DOT highway project.
- The Capital Projects Fund balance increased during the FY07 school year. The fund ended the year with a balance of \$777,244 consisting of unexpended local option sales tax revenues. This balance will be drawn down as local option sales tax revenues are used to buy down property tax obligations related to long term debt.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$65,596 on June 30, 2006 to \$73,420 on June 30, 2007, representing an increase of 11.92%. The school promoted its breakfast program even more in FY07 and, as a result, meal participation increased substantially. The district also had tenured employees retire and chose not to replace them.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Lyon Community School District amended its budget one time, in May of 2007. The District did so to reflect additional revenues and expenditures associated with the daily operation of the school.

State revenues in the General Fund were less than expected because of a reduction in revenues due to a special education positive balance, and juvenile home expenses pro-rated to all schools.

Expenditures were less than budgeted. The District chose to estimate expenses at a high level to ensure that it did not exceed its spending authority. The District, again in May, chose to amend the budget in an amount that would prevent it from exceeding its authorized budget. The certified budget was not exceeded in any functional area for fiscal year 2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$5,158,391, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, A-V equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year is \$253,173.

The original cost of the District's equipment was \$9,926,396. Governmental funds accounted for \$9,870,728 of that amount and \$55,668 is accounted for in the Proprietary, School Nutrition Fund.

Construction activity related to the \$3,800,000 bond issue that was passed in FY04 was completed in FY06.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006- 2007
Land	\$39,494	\$39,494	\$0	\$0	\$39,494	\$39,494	0.00%
Construction in Progress	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
Buildings	\$4,729,387	\$4,697,615	\$0	\$0	\$4,729,387	\$4,697,615	.67%
Improvements other than buildings	\$64,190	\$56,625	\$0	\$0	\$64,190	\$56,625	13.35%
Furniture and equipment	\$317,151	\$336,557	\$8,169	\$9,300	\$325,320	\$345,857	-5.93%
Totals	\$5,150,222	\$5,130,291	\$8,169	\$9,300	\$5,158,391	\$5,139,591	.36%

Long-term Debt

On June 30, 2007, the District had \$3,619,383 in general obligation and other long-term debt outstanding. This represents a decrease from last year when the District had a total of \$3,631,763 in long-term debt. Most of the reduction in debt was related to the retirement of general obligation bonds during the fiscal year. The district did increase its obligations under its early retirement policy by \$142,620 in FY07.

In December 2003, the District's voters authorized the issuance of \$3,800,000 in general obligation bonds to pay for construction of a new gymnasium, locker rooms, band rooms, student commons, restrooms, and the remodeling of a study hall, library, and current gymnasium. The debt associated with that bond issue represents the majority of the district's long term debt.

The District also has a long-term obligation for early retirement compensation of \$274,383 at the end of fiscal year 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2007	2006	2006-2007
General Obligation Bonds	\$3,345,000	\$3,500,000	-4.42%
Early Retirement	\$ 274,383	\$ 131,763	108.23%
Totals	<u>\$3,619,383</u>	<u>\$3,631,763</u>	<u>-.34%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could affect its financial health in the future:

- Though the district's recent enrollment declines have plateaued, the Class of 2007 is significantly larger than most in the school and will not be replaced with a class of similar size. Given funding discussions at the state legislative level, the District could see reduced revenues sometime in the short term due to decreased enrollment. But, it appears at this time that the district should, given enrollment estimates, begin to see a reversal of its downward financial spiral within three years and may need to increase staff rather than its current trend of reductions.
- The District negotiates salary and benefits with the West Lyon Education Association on an annual basis. Total package settlements with the WLEA have been at state average even though the District has seen little or no new money for several years. Because third party arbitrators rarely award compensation packages that are less than state average, it appears that the District will continue to settle at or near state average and, thus, struggle to balance its budget.
- The District has a very tenured staff. Some have indicated that retirement may be in their near future (1-5 years). If the teachers do not retire, the district may, in the short term, need to continue to reduce staff in order to make its budgets fiscally manageable. If these teachers do retire, the District probably will not replace these teachers until some time in the future and simply increase class sizes.
- While the District was very fortunate to pass a much needed bond issue, additional pressure has been placed on the General Fund as increased costs to operate the building are included in present and future budgets.
- The district struggles with teacher master contract language that requires the school to pay full family health insurance premiums for instructors who are .80 FTE or greater. This has created a burden on the district and makes its salary schedule unattractive to new teachers.

- The district continues to look for ways to reduce expenditures. Given local and legislative pressure, the district did decrease the FTE of its Superintendent to .50.
- A new bio-diesel plant was planned for construction was expected to begin operation in April of 2007. These plans have been put on hold at this time. The plant would bring much needed jobs to our area and will give farmers added markets for their commodities.
- Land prices have seen a significant increase in the past year. Prices per acre have increased from \$3,000 to more than \$7,000. Valuations, to a lesser extent, should increase at some point in the future.
- The District did re-establish its “early retirement”, after having dropped it in FY06. The policy gives teachers a chance to retire once they reach the Rule of 88.
- Supt. Ralph Herring retired in February of 2007. He was replaced by Interim Superintendent Les Douma. The District began a search process for a new Superintendent in March of 2007. James Hargens was hired and will begin duties on July 1, 2007.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bob Tracy, District Secretary and Business Manager, West Lyon Community School District, 1787 182N Street, Inwood, IA 51240.

WEST LYON COMMUNITY SCHOOL DISTRICT 60
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents			
ISJIT	\$ 15,930	\$ -	\$ 15,930
Other	2,100,046	66,714	2,166,760
Receivables			
Property tax:			
Delinquent	25,405	-	25,405
Succeeding year	2,220,920	-	2,220,920
Accrued interest:			
ISJIT	566	-	566
Other	8,043	-	8,043
Due from other governments	236,328	-	236,328
Inventories	-	5,232	5,232
Capital assets, net of accumulated depreciation	5,150,222	8,169	5,158,391
TOTAL ASSETS	\$ 9,757,460	\$ 80,115	\$ 9,837,575
LIABILITIES			
Accounts payable	\$ 55,034	\$ -	\$ 55,034
Salaries and benefits payable	572,631	3,697	576,328
Unearned revenue-succeeding year property tax	2,220,920	-	2,220,920
Unearned revenue-other	-	2,998	2,998
Due to other governments	27,273	-	27,273
Accrued interest payable	10,238	-	10,238
Long-term liabilities			
Due within one year	197,487	-	197,487
Due in more than one year	3,421,896	-	3,421,896
TOTAL LIABILITIES	6,505,479	6,695	6,512,174
NET ASSETS			
Invested in capital assets, net of related debt	1,794,984	8,169	1,803,153
Unrestricted	1,456,997	65,251	1,522,248
TOTAL NET ASSETS	3,251,981	73,420	3,325,401
TOTAL LIABILITIES AND NET ASSETS	\$ 9,757,460	\$ 80,115	\$ 9,837,575

WEST LYON COMMUNITY SCHOOL DISTRICT 60
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,759,490	\$ 37,648	\$ 294,902
Special instruction	858,876	-	127,345
Other instruction	775,827	65,174	46,753
	<u>4,394,193</u>	<u>102,822</u>	<u>469,000</u>
Support services:			
Student	302,136	-	28,576
Instructional staff	149,786	-	1,300
Administration	505,488	-	-
Operation and maintenance of plant	522,425	612	-
Transportation	406,327	-	37,416
	<u>1,886,162</u>	<u>612</u>	<u>67,292</u>
Other services:	<u>335,871</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Long-term debt interest	127,440		-
Depreciation (unallocated)*	139,612		-
	<u>267,052</u>	<u>-</u>	<u>-</u>
Total governmental activities	6,883,278	103,434	536,292
Business type activities:			
Non-instructional programs:			
Food service operations	272,387	176,137	103,845
Total	<u>\$ 7,155,665</u>	<u>\$ 279,571</u>	<u>\$ 640,137</u>
General revenues:			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Local option sale and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net assets			
Net assets beginning of year			
Net assets end of year			

*This amount excludes the depreciation included in the direct expenses of the various programs

See Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,426,940)	\$ -	\$ (2,426,940)
(731,531)	-	(731,531)
(663,900)	-	(663,900)
(3,822,371)	-	(3,822,371)
(273,560)	-	(273,560)
(148,486)	-	(148,486)
(505,488)	-	(505,488)
(521,813)	-	(521,813)
(368,911)	-	(368,911)
(1,818,258)	-	(1,818,258)
(335,871)	-	(335,871)
(127,440)	-	(127,440)
(139,612)	-	(139,612)
(267,052)	-	(267,052)
(6,243,552)	-	(6,243,552)
	7,595	7,595
\$ (6,243,552)	\$ 7,595	\$ (6,235,957)
\$ 1,780,052	\$ -	\$ 1,780,052
83,118	-	83,118
258,896	-	258,896
712,978	-	712,978
2,415,964	-	2,415,964
67,308	229	67,537
876,539	-	876,539
6,194,855	229	6,195,084
(48,697)	7,824	(40,873)
3,300,678	65,596	3,366,274
\$ 3,251,981	\$ 73,420	\$ 3,325,401

WEST LYON COMMUNITY SCHOOL DISTRICT 60
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments:					
ISJIT	\$ 5,345	\$ -	\$ -	\$ 10,585	\$ 15,930
Other	1,135,149	8,680	631,693	324,524	2,100,046
Receivables:					
Property tax:					
Delinquent	21,143	1,100	-	3,162	25,405
Succeeding year	1,960,371	4,885	-	255,664	2,220,920
Accrued interest:					
ISJIT	-	-	-	566	566
Other	6,145	-	1,898	-	8,043
Due from other governments	92,676	-	143,652	-	236,328
Total assets	\$ 3,220,829	\$ 14,665	\$ 777,243	\$ 594,501	\$ 4,607,238
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 32,143	\$ -	\$ -	\$ 22,891	\$ 55,034
Salaries and benefits payable	572,631	-	-	-	572,631
Due to other governments	27,273	-	-	-	27,273
Deferred revenue:					
Succeeding year property tax	1,960,371	4,885	-	255,664	2,220,920
Total liabilities	2,592,418	4,885	-	278,555	2,875,858
Fund Balances:					
Reserved for debt service	-	9,780	-	-	9,780
Unreserved	628,410	-	777,244	315,946	1,721,600
Total fund balances	628,410	9,780	777,244	315,946	1,731,380
Total liabilities and fund balances	\$ 3,220,828	\$ 14,665	\$ 777,244	\$ 594,501	\$ 4,607,238

WEST LYON COMMUNITY SCHOOL DISTRICT 60
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances of governmental funds (page 16) **\$ 1,731,380**

*Amounts reported for governmental activities in the
Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported as assets in the governmental funds. 5,150,222

Accrued interest payable on long-term liabilities is not due and payable in the
current period and, therefore, is not reported as a liability in the governmental funds.
funds. (10,238)

Long-term liabilities, including bonds and notes payable and compensated
absences, are not due and payable in the current period and, therefore, are not
reported in the funds. (3,619,383)

Net assets of governmental activities **\$ 3,251,981**

WEST LYON COMMUNITY SCHOOL DISTRICT 60
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 2,065,178	\$ 83,118	\$ 450,589	\$ 258,896	\$ 2,857,781
Other	150,780	-	-	261,362	412,142
State sources	3,061,864	52	-	159	3,062,075
Federal sources	201,095	87	-	-	201,182
Total revenues	<u>5,478,917</u>	<u>83,257</u>	<u>450,589</u>	<u>520,417</u>	<u>6,533,180</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,659,138	-	-	100,352	2,759,490
Special	856,550	-	-	-	856,550
Other	514,858	-	-	260,969	775,827
	<u>4,030,546</u>	<u>-</u>	<u>-</u>	<u>361,321</u>	<u>4,391,867</u>
Support services:					
Student	159,517	-	-	-	159,517
Instructional staff	68,272	-	-	-	68,272
Administration	450,062	-	-	15,725	465,787
Operation and maintenance					
of plant	420,765	-	62,430	-	483,195
Transportation	346,461	-	-	-	346,461
	<u>1,445,077</u>	<u>-</u>	<u>62,430</u>	<u>15,725</u>	<u>1,523,232</u>
Other expenditures:					
Facilities acquisition	-	-	-	209,135	209,135
Management fund	-	-	-	56,065	56,065
AEA flowthrough	252,449	-	-	-	252,449
Long-term debt:					
Principal		155,000			155,000
Interest and fiscal charges		128,095			128,095
	<u>252,449</u>	<u>283,095</u>	<u>-</u>	<u>265,200</u>	<u>800,744</u>
Total expenditures	<u>5,728,072</u>	<u>283,095</u>	<u>62,430</u>	<u>642,246</u>	<u>6,715,843</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(249,155)</u>	<u>(199,838)</u>	<u>388,159</u>	<u>(121,829)</u>	<u>(182,663)</u>
Other financing sources (uses):					
Sale of equipment	301	-	-	101,100	101,401
Operating transfer in	-	200,000	-	-	200,000
Operating transfer out	-	-	(200,000)	-	(200,000)
Total other financing sources (uses)	<u>301</u>	<u>200,000</u>	<u>(200,000)</u>	<u>101,100</u>	<u>101,401</u>
Net change in fund balances	<u>(248,854)</u>	<u>162</u>	<u>188,159</u>	<u>(20,729)</u>	<u>(81,262)</u>
Fund balances beginning of year	<u>877,264</u>	<u>9,618</u>	<u>589,085</u>	<u>336,675</u>	<u>1,812,642</u>
Fund balances end of year	<u>\$ 628,410</u>	<u>\$ 9,780</u>	<u>\$ 777,244</u>	<u>\$ 315,946</u>	<u>\$ 1,731,380</u>

See Notes to Financial Statements

WEST LYON COMMUNITY SCHOOL DISTRICT 60
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
JUNE 30, 2007

Net change in fund balances - total governmental funds	\$ (81,262)
--	-------------

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures were less than depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 327,944	
Proceeds on sales	(101,401)	
Gain on sale	46,561	
Depreciation expense	<u>(253,173)</u>	19,931

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Repaid	155,000
--------	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

255

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the government funds, as follows:

Early retirements	<u>(142,620)</u>
-------------------	------------------

Change in net assets of governmental activities	<u><u>\$ (48,697)</u></u>
---	---------------------------

WEST LYON COMMUNITY SCHOOL DISTRICT 60
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 66,714
Inventories	5,232
Capital assets, net of accumulated depreciation	<u>8,169</u>
Total assets	<u>80,115</u>
Liabilities	
Salaries and benefits payable	3,697
Unearned revenue	<u>2,998</u>
Total liabilities	<u>6,695</u>
Net assets	
Invested in capital assets, net of related debt	8,169
Unrestricted	<u>65,251</u>
Total net assets	<u>\$ 73,420</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Sale of lunches	\$ 169,205
Miscellaneous	6,932
Total operating revenues	<u>176,137</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	125,983
Supplies	121,764
Other	5,642
Depreciation	1,131
Federal food commodities used	17,867
Total operating expenses	<u>272,387</u>
Operating loss	<u>(96,250)</u>
Non-operating revenues:	
State sources	3,921
Federal sources	99,924
Interest income	229
Total non-operating revenues	<u>104,074</u>
Change in net assets	7,824
Net assets beginning of year	<u>65,596</u>
Net assets end of year	<u>\$ 73,420</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	School Nutrition
Cash flows used for operating activities:	
Cash received from sale of lunches and breakfasts	\$ 166,927
Cash received from miscellaneous operating activities	6,932
Cash paid to employees for services	(125,831)
Cash paid to suppliers for goods or services	(129,275)
Net cash used for operating activities	<u>(81,247)</u>
Cash flows from non-capital financing activities:	
State grants received	3,921
Federal grants received	80,507
Net cash used for non-capital financing activities:	<u>84,428</u>
Cash flows from investing activities:	
Interest on investments	229
Net cash from investment activities	<u>229</u>
Net increase in cash and cash equivalents	<u>3,410</u>
Cash and cash equivalents at beginning of year	<u>63,304</u>
Cash and cash equivalents at end of year	<u>\$ 66,714</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (96,250)
Adjustments to reconcile operating loss to net cash (used in) operating activities:	
Depreciation	1,131
Commodities used	17,867
(Increase) in inventories	(3,318)
(Decrease) in accounts payable	(1,064)
Increase in salaries and benefits payable	152
Increase in deferred revenue	235
Net cash used for operating activities	<u>\$ (81,247)</u>

Noncash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$17,867 of federal commodities and consumed Federal commodities of \$16,316.

WEST LYON COMMUNITY SCHOOL DISTRICT 60
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **West Lyon Community School District 60** is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Inwood, Larchwood, Lester and Alvord, Iowa and the predominate agricultural territory surrounding such in Lyon County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, **West Lyon Community School District 60** has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The **West Lyon Community School District 60** has no component units that meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation:

Government-wide Statements: The Statement of Net Assets and the Statement of Activities report information on all the nonfiduciary activities of the District. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, and improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements: Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund it used to account for food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

NOTES TO FINANCIAL STATEMENTS

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents:

The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

NOTES TO FINANCIAL STATEMENTS

Property Tax Receivable:

Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the current fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2005, assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due From Other Governments:

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories:

Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets:

Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

NOTES TO FINANCIAL STATEMENTS

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable:

Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue:

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Unearned revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-Term Liabilities:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity:

In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTES TO FINANCIAL STATEMENTS

Restricted Net Assets:

In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2 - CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2007, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure that there will be no loss of public funds.

As of June 30, 2007, the book balance of the District's cash deposits plus petty cash totaled \$416,760 and the bank balance totaled \$499,896.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) diversified portfolio totaling \$15,930. The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. ISJIT is registered with and regulated by the Securities and Exchange Commission.

At June 30, 2007, the District had investments in certificates of deposit paper totaling \$1,750,000.

Interest Rate Risk. The District's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within fifteen months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the District. The District did not hold any instruments with a maturity greater than 397 days during the year.

Credit risk. The District's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

Concentration of Credit Risk. The District's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's deposits are entirely covered by federal depository

NOTES TO FINANCIAL STATEMENTS

insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Custodial Credit Risk – Investments. The District does not have a policy relating to custodial credit risk for investments.

The following is a reconciliation of cash and investments as shown on the financial statements:

Cash deposits and petty cash	\$ 416,760
ISJIT Investments	15,930
Certificates of deposit	<u>1,750,000</u>
	<u>\$ 2,182,690</u>

NOTE 3 – INTERFUND TRANSFER

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 200,000</u>

Transfers to the Debt Service Fund, a nonmajor governmental fund, are for the principal and interest payments of the general obligation bond.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 was as follows:

Governmental Activities:	Balance 07/01/06	Increases	Decreases	Balance 06/30/07
Capital assets not being depreciated:				
Land	\$ 39,494	\$ -	\$ -	\$ 39,494
Total capital assets not being depreciated	<u>39,494</u>	<u>-</u>	<u>-</u>	<u>39,494</u>
Capital assets being depreciated:				
Buildings	6,395,591	40,265	-	6,435,856
Improvements other than buildings	342,500	188,729	151,000	380,229
Machinery and equipment	<u>3,055,965</u>	<u>98,950</u>	<u>100,272</u>	<u>3,054,643</u>
Total capital assets being depreciated	<u>9,794,056</u>	<u>327,944</u>	<u>251,272</u>	<u>9,870,728</u>
Less accumulated depreciation for:				
Buildings	1,697,976	8,493	-	1,706,469
Improvements other than buildings	285,875	128,314	98,150	316,039
Machinery and equipment	<u>2,719,408</u>	<u>116,366</u>	<u>98,282</u>	<u>2,737,492</u>
Total accumulated depreciation	<u>4,703,259</u>	<u>253,173</u>	<u>196,432</u>	<u>4,760,000</u>
Total capital assets being depreciated, net	<u>5,090,797</u>	<u>74,771</u>	<u>54,840</u>	<u>5,110,728</u>
Governmental activities capital assets, net	<u>\$ 5,130,291</u>	<u>\$ 74,771</u>	<u>\$ 54,840</u>	<u>\$ 5,150,228</u>

NOTES TO FINANCIAL STATEMENTS

Business Type Activities:	Balance 07/01/06	Increases	Decreases	Balance 06/30/07
Furniture and equipment	\$ 55,668	\$ -	\$ -	\$ 55,668
Less accumulated depreciation	46,368	1,131	-	47,499
Business type activities capital assets, net	<u>\$ 9,300</u>	<u>\$ 1,131</u>	<u>\$ -</u>	<u>\$ 8,169</u>
Depreciation expense was charged to the				
Governmental activities:				
Instruction:				
Regular				\$ -
Special				2,326
Other				-
Support Services:				
Instructional staff				62,350
Administration				2,615
Operation and maintenance of plant				2,129
Transportation				44,141
				<u>113,561</u>
Unallocated				<u>139,612</u>
Total depreciation expense - governmental				<u>\$ 253,173</u>
Business type activities:				
Food service operations				<u>\$ 1,131</u>

NOTE 4 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance 07/01/06	Increases	Decreases	Balance 06/30/07	Due in One Year
General obligation bonds	\$ 3,500,000	\$ -	\$ (155,000)	\$ 3,345,000	\$ 160,000
Early retirement	131,763	219,763	(77,143)	274,383	37,487
	<u>\$ 3,631,763</u>	<u>\$ 219,763</u>	<u>\$ (232,143)</u>	<u>\$ 3,619,383</u>	<u>\$ 197,487</u>

NOTES TO FINANCIAL STATEMENTS

Early Retirement Payable

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than five employees per year will be granted benefits under the policy. Early benefits are equal to 60% of the employee's regular contractual salary in effect during the employee's last year of employment, with a maximum retirement benefit of \$30,000. At June 30, 2007, the District has obligations to eleven participants with a total liability of \$274,383. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$142,620.

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of February 1, 2004		
	Interest Rates	Principal	Interest
2008	2.00%	160,000	124,565
2009	2.50%	160,000	120,565
2010	2.75%	165,000	116,165
2011	3.25%	175,000	111,215
2012	3.35%	180,000	105,527
2013-2015	3.35-3.60%	575,000	279,447
2016-2020	3.70-4.15%	1,125,000	314,560
2021-2023	4.25-4.40%	805,000	71,287
		<u>\$ 3,345,000</u>	<u>\$ 1,243,332</u>

The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the district. The bonds mature on June 1 in each of the years, in the respective principal amounts and bear interest payable semiannually. The bonds were issued by the District for the purpose of paying costs in connection with the constructing, furnishing and equipping a new gymnasium, lockers and band room, and remodeling the existing facility. The District reserves the rights to call and redeem part or all of the bonds maturing in each of the years 2013 and 2023. The bonds mature on June 1, 2023.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005, were \$193,740, \$199,425, and \$186,051, respectively, equal to the required contributions for each year.

NOTE 6 - RISK MANAGEMENT

West Lyon Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. There were no reductions in insurance coverage from the prior year. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 - AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$252,449 for the year ended June 30, 2007, and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

NOTE 8 - NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

The Governmental Accounting Standards Board (GASB) has issued two statements not yet implemented by the West Lyon Community School District 60. The statements, which might impact the West Lyon Community School District 60, are as follows:

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* issued April 2004, will be effective for the District for the fiscal year ending June 30, 2008. This statement establishes uniform financial reporting standards for other post employment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* issued June 2004, will be effective for the District for the fiscal year ending June 30, 2009. This statement establishes standards for the measurement, recognition, and display of (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Statement No. 47, *Accounting for Termination Benefits* issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the

NOTES TO FINANCIAL STATEMENTS

provisions of this statement should be implemented simultaneously with the requirements of Statement No. 45. For all other termination benefits, this statement is effective for the fiscal year ended June 30, 2006.

Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, will be effective for the fiscal year ending June 30, 2008. This statement establishes standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also establishes standards that apply to all intra-entity transfers of assets and future revenues.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* issued November 2006, will be effective for the fiscal year ending June 30, 2009. This statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

Statement No. 50, *Pension Disclosures*, issued May 2007, will be effective for the fiscal year ending June 30, 2008. This statement more closely aligns the financial reporting requirements for pensions with those for the other post employment benefits.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007 will be effective for the fiscal year ending June 2010. This statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets.

The District's management has not yet determined the effect these statements will have on the District's financial statements.

WEST LYON COMMUNITY SCHOOL DISTRICT 60

REQUIRED SUPPLEMENTARY INFORMATION

WEST LYON COMMUNITY SCHOOL DISTRICT 60
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 3,270,010	\$ 176,365
State sources	3,062,075	3,921
Federal sources	201,095	99,924
Total receipts	<u>6,533,180</u>	<u>280,210</u>
Disbursements:		
Instruction	4,391,867	-
Support services	1,523,232	5,411
Non-Instructional programs	-	266,975
Other expenditures	800,744	-
Total disbursements	<u>6,715,843</u>	<u>272,386</u>
Deficiency of receipts under disbursements	(182,663)	7,824
Other financing sources (uses):		
Interfund transfer in	200,000	-
Interfund transfer out	(200,000)	-
Other	101,401	-
Total other financing sources (uses)	<u>101,401</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(81,262)	7,824
Balances beginning of year	<u>1,812,642</u>	<u>65,596</u>
Balances end of year	<u>\$ 1,731,380</u>	<u>\$ 73,420</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

Total Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original	Final	
\$ 3,446,375	\$ 3,407,215	\$ 3,407,215	\$ 39,160
3,065,996	3,200,590	3,200,590	(134,594)
301,019	329,256	329,256	(28,237)
<u>6,813,390</u>	<u>6,937,061</u>	<u>6,937,061</u>	<u>(123,671)</u>
4,391,867	4,434,934	4,734,934	343,067
1,528,643	1,534,162	1,736,312	207,669
266,975	315,000	317,745	50,770
800,744	799,278	915,513	114,769
<u>6,988,229</u>	<u>7,083,374</u>	<u>7,704,504</u>	<u>716,275</u>
(174,839)	(146,313)	(767,443)	(839,946)
200,000	235,000	235,000	(35,000)
(200,000)	(235,000)	(235,000)	35,000
101,401	500	500	100,901
<u>101,401</u>	<u>500</u>	<u>500</u>	<u>100,901</u>
(73,438)	(145,813)	(766,943)	(739,045)
<u>1,878,238</u>	<u>2,667,121</u>	<u>2,667,121</u>	<u>(788,883)</u>
<u>\$ 1,804,800</u>	<u>\$ 2,521,308</u>	<u>\$ 1,900,178</u>	<u>\$ (1,527,928)</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standard Board* Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007 none of the functions exceeded the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

WEST LYON COMMUNITY SCHOOL DISTRICT 60

OTHER SUPPLEMENTARY INFORMATION

WEST LYON COMMUNITY SCHOOL DISTRICT 60
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007

	Student Activity	Management Levy	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments:				
ISJIT	\$ -	\$ -	\$ 10,585	\$ 10,585
Other	50,097	57,450	216,977	324,524
Receivables:				
Property tax:				
Delinquent	-	2,307	855	3,162
Succeeding year	-	190,394	65,270	255,664
Accrued interest:				
ISJIT	-	-	566	566
Total assets	<u>\$ 50,097</u>	<u>\$ 250,151</u>	<u>\$ 294,253</u>	<u>\$ 594,501</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 1,438	\$ 21,453	\$ -	\$ 22,891
Deferred revenue:				
Succeeding year property tax	-	190,394	65,270	255,664
Total liabilities	<u>1,438</u>	<u>211,847</u>	<u>65,270</u>	<u>278,555</u>
Fund balances:				
Unreserved	48,659	38,304	228,983	315,946
Total fund balances	<u>48,659</u>	<u>38,304</u>	<u>228,983</u>	<u>315,946</u>
Total liabilities and fund balances	<u>\$ 50,097</u>	<u>\$ 250,151</u>	<u>\$ 294,253</u>	<u>\$ 594,501</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007

	Student Activity	Management Levy	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ 194,269	\$ 64,627	\$ 258,896
Other	258,116	1,222	2,024	261,362
State sources	-	119	40	159
Total revenues	<u>258,116</u>	<u>195,610</u>	<u>66,691</u>	<u>520,417</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	-	100,352	-	100,352
Other instruction	260,969	-	-	260,969
Support services:				
Administration services	-	15,725	-	15,725
Other expenditures:				
Facilities acquisition	-	-	209,135	209,135
Management fund	-	56,065	-	56,065
Total expenditures	<u>260,969</u>	<u>172,142</u>	<u>209,135</u>	<u>642,246</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,853)</u>	<u>23,468</u>	<u>(142,444)</u>	<u>(121,829)</u>
Other financing sources (uses):				
Sale of equipment			101,100	101,100
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>101,100</u>	<u>101,100</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	<u>(2,853)</u>	<u>23,468</u>	<u>(41,344)</u>	<u>(20,729)</u>
Fund balances beginning of year	<u>51,512</u>	<u>14,836</u>	<u>270,327</u>	<u>336,675</u>
Fund balances end of year	<u>\$ 48,659</u>	<u>\$ 38,304</u>	<u>\$ 228,983</u>	<u>\$ 315,946</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2007

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
System wide athletics	\$ 27,770	\$ 35,489	\$ 34,425	\$ 28,834
Baseball	-	-	-	-
Softball	-	808	808	-
Golf	-	87	87	-
Track	-	7,930	7,930	-
Volleyball	-	3,291	2,966	325
Football	-	29,170	28,073	1,097
Basketball	24	22,500	21,992	532
Wrestling	-	8,627	8,627	-
Cross country	181	411	474	118
Vocal music	977	1,783	2,760	-
Student council	4,788	5,424	6,261	3,951
FFA	6,756	95,092	99,013	2,835
Annual	76	11,305	11,381	-
Class of 2008	659	11,410	10,580	1,489
Class of 2009	80	39	-	119
Class of 2010	142	38	-	180
Class of 2011	22	21	-	43
Class of 2005	581	26	-	607
Class of 2006	-	-	-	-
Class of 2007	2,478	357	2,778	57
Industrial arts	-	2,000	2,000	-
Speech	1,051	3,498	4,008	541
Library fund	489	244	9	724
National Honor Society	1,299	282	495	1,086
Band	-	4,748	4,748	-
FLA	1,629	-	-	1,629
Cheerleaders	-	-	-	-
NWIMBI	303	-	-	303
Elementary annual	2,207	13,536	11,554	4,189
	<u>\$ 51,512</u>	<u>\$ 258,116</u>	<u>\$ 260,969</u>	<u>\$ 48,659</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
YEARS ENDED JUNE 30, 2007, 2005, 2004 AND 2003

	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$2,857,781	\$2,570,387	\$2,706,164	\$2,228,728
Other	412,142	340,728	309,607	314,697
State sources	3,062,075	3,265,027	3,044,640	2,864,943
Federal sources	201,182	232,460	241,931	274,532
Interest	-	-	-	8,540
Total	\$6,533,180	\$6,408,602	\$6,302,342	\$5,691,440
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$2,759,490	\$2,732,543	\$3,007,316	\$3,007,587
Special instruction	856,550	768,838	641,080	612,352
Other instruction	775,827	740,274	506,805	502,882
Support services:				
Student services	159,517	150,500	144,806	147,045
Instructional staff services	68,272	48,728	41,881	32,694
Administration services	465,787	467,134	452,537	443,620
Operation and maintenance of plant services	483,195	446,219	376,261	350,124
Transportation services	346,461	337,826	313,043	290,490
Other expenditures:				
Facilities acquisition	209,135	433,145	3,239,302	358,344
Management fund	56,065	38,870	40,363	31,822
Long-term debt:				
Principal	155,000	150,000	150,000	-
Interest and fiscal charges	128,095	131,065	178,620	-
AEA flowthrough	252,449	245,586	235,998	238,407
Total	\$6,715,843	\$6,690,728	\$9,328,012	\$6,015,367



CPAs & BUSINESS ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the School Board
West Lyon Community School District 60
Inwood, Iowa

We have audited the financial statements of **West Lyon Community School District 60** as of and for the year ended June 30, 2007, and have issued our report thereon dated January 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **West Lyon Community School District 60's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **West Lyon Community School District 60's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such

PEOPLE. PRINCIPLES. POSSIBILITIES.

www.eidebailly.com

an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of **West Lyon Community School District 60** in a separate letter dated January 7, 2008.

West Lyon Community School District 60 response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit **West Lyon Community School District 60** and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management and the federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailey LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota
January 7, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PART I: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

I-A-07 One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible.

In the General Fund we noted that the person receiving checks and cash also prepared the bank deposit and posted the amounts in the general ledger.

In the School Nutrition Fund we noted that the person receiving the cash also prepared the bank deposit and posted the amounts in the general ledger.

In the School Activity Fund we noted that the person receiving the cash also prepared the bank deposit and was responsible for posting amounts to a receipts listing.

Recommendation We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response We will investigate available alternatives and implement if feasible.

Conclusion Response accepted.

I-B-07 Financial statements and footnotes are prepared by the auditor.

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements, accompanying notes to the financial statements.

Recommendation It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response Ongoing finding.

Conclusion Response accepted.

PART II: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

II-A-07 Certified Budget

Disbursements for the year ended June 30, 2007 did not exceed the amount budgeted.

II-B-07 Questionable Disbursements

We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-07 Travel Expense

No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-07 Business Transactions

Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Al Hassebroek, Board Member, employee of AB Auto	Repairs	\$ 118

In accordance with Chapter 365.5(10) of the Code of Iowa, the transaction with AB Auto does not appear to represent conflicts of interest since total transactions with the individual was less than \$1,500 during the fiscal year.

II-E-07 Bond Coverage

Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage appears adequate for current operations.

II-F-07 Board Minutes

We noted no transactions, requiring Board approval, which had not been approved by the Board.

II-G-07 Certified Enrollment

We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-07 Deposits and Investments

We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-07 Certified Annual Report

The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-07 Student Activity Fund

The Student Activity Funds had no deficit balances at June 30, 2007.